

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA IMMEDIATE

C O N F I D E N T I A L STATE 172361

FOR THE AMBASSADOR

E.O. 11652: GDS

TAGS: EOFN, EFIN, EAID, EAGR, ID

SUBJECT: MEETING WITH MIN WIDJOJO: PL 480 TITLE III -
FY 79 TRANSITION YEAR

REF: JAKARTA 7884

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1. STATUS. FOLLOWING INTENSIVE REVIEW, STATE/AID HAVE
DETERMINED THAT USAID'S INFORMAL TITLE III CONCEPT DIS-
CUSSED WITH GOI OFFICIALS (INCLUDING WIDJOJO) AT MAY IGGI
MEETING (AND SUBSEQUENT VARIANT) IS NOT RPT NOT AN ACCEPT-
ABLE APPROACH FOR INITIATING A PL 480 TITLE III PROGRAM
FOR INDONESIA IN FY 79 UNDER CURRENT INTERPRETATION OF THE
LAW'S REQUIREMENTS. IN ADDITION, EFFORTS TO MODIFY PLANNED

FY 79 PROJECTS AT THIS LATE DATE TO MAKE THEM AMENABLE TO TITLE III WOULD DELAY AND DISRUPT BUDGET CYCLES AND THE PENDING U.S. AID PROGRAMS FOR INDONESIA. WHILE A CONTINUING TITLE I PROGRAM REMAINS A VIABLE ALTERNATIVE FOR INDONESIA, WE WISH TO PURSUE ACTIVELY TITLE III FOR APPROPRIATE POLICY/PROJECT PROPOSALS LOOKING TOWARD F; 80. WE WILL MAINTAIN COMMITMENTS FOR ASSISTANCE AS SPECIFIED DURING VICE PRESIDENT'S TRIP AND IGGI MEETING, TAKING INTO ACCOUNT COOPERATIVE GOI INTEREST IN WHAT WOULD HAVE BEEN A FY 79 TITLE III PROGRAM. (IF IN THE COURSE OF FY 79 AN OPPORTUNITY APPEARED FOR BEGINNING A TITLE III PROGRAM, THIS WOULD, HOWEVER, NOT BE PRECLUDED. ASSUMING 1979 NORMAL TITLE I COMMODITIES ARE APPROVED AND PURCHASED EARLY IN THE FY HOWEVER IT WOULD BE EXCEEDINGLY DIFFICULT TO ADD FUNDS FOR A TITLE III PROGRAM LATER IN THE SAME YEAR).

2. TALKING POINTS. IN MEETING WITH WIDJOJO PRIOR TO YOUR RETURN TO WASHINGTON, YOU SHOULD MAKE FOLLOWING POINTS:

A. STATE/AID HAVE REVIEWED INFORMAL PROPOSAL FOR INITIAL PL 480 TITLE III PROGRAM DISCUSSED BY EMBASSY-GOI WORKING GROUP IN JAKARTA AND IN BROAD TERMS AT INFORMAL SESSION DURING IGGI MEETING AMSTERDAM. REVIEW COINCIDED WITH CURRENT GLOBAL REVIEW OF TITLE III CRITERIA DESIGNED TO MEET RECIPIENT NEEDS CONSISTENT WITH USG POLICIES AND CONFIDENTIAL

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LEGISLATIVE INTENT -- PARTICULARLY LINKS TO SIGNIFICANT AND ADDITIONAL DEVELOPMENT. BECAUSE OF THE CONTINUING CLOSE AND EFFECTIVE COOPERATION BETWEEN THE GOI AND US IN AID PROJECT DEVELOPMENT, AND THE LONG LEAD TIMES INVOLVED, THE AID PROGRAMS AND PROJECTS READY FOR IMPLEMENTATION IN FY 1979 ARE ALREADY SO FAR ADVANCED IN DESIGN AND FUNDING THAT THERE IS NOT ADEQUATE SCOPE FOR TITLE III FUNDING TO PROVIDE THE INCREMENTAL DEVELOPMENTAL IMPACT REQUIRED BY THE LEGISLATION. SINCE THE GOI AND IBRD ARE EXAMINING THE NEED FOR IMPROVEMENTS AND REFORMS IN RURAL AND AGRICULTURAL DEVELOPMENT, WHICH WILL GENERATE NEW PROGRAM POLICIES AND PROJECT NEEDS IN FY 1980, TITLE III APPEARS TO FIT MORE APPROPRIATELY INTO THAT TIME FRAME.

B. THE USG THUS BELIEVES IT WOULD BE MUTUALLY BENEFICIAL TO BEGIN WORK SOON ON A TITLE III PROGRAM, PROBABLY FOR FY 1980. IN DOING SO, BOTH GOVERNMENTS WILL HAVE (A) THE ADDITIONAL BENEFIT OF PENDING IBRD STUDIES ON SECTORAL AND SUBSECTORAL ASPECTS OF THE INDONESIAN ECONOMY, AND (B) THE GOI'S PRIORITIES UNDER THE THIRD REPELITA. WE WILL THUS BE IN A BETTER POSITION IN COMING MONTHS TO RELATE TITLE III TO ADJUSTMENTS IN POLICIES AND PROJECTS

WHICH THE INDONESIAN GOVERNMENT MAY DECIDE TO UNDERTAKE
AS A RESULT OF THOSE STUDIES AND POLICY DECISIONS.

C. IN ANTICIPATING TITLE III IMPLEMENTATION IN FY 80,
THE USG APPRECIATES THE COOPERATIVE INTEREST AND QUICK
RESPONSE EXPRESSED BY THE GOI FOLLOWING THE MAY 1978
VISIT OF VICE PRESIDENT MONDALE. AT THAT TIME, THE VICE
PRESIDENT STATED PUBLICLY HIS COMMENDATION OF INDONESIAN
EFFORTS TO ACHIEVE FOOD SELF-SUFFICIENCY AND THAT THE U.S.
(AND WORLD BANK) WOULD BE PREPARED TO CONSIDER INCREASED
AID WITHIN THE CONTEXT OF THE IBRD STUDIES. HE INDICATED
TO THE GOI THE ADVANTAGES OF PROCEEDING WITH USG SUPPORT
THROUGH TITLE III. WE ALSO UNDERSTAND THE POSITION OF THE

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GOI WITH REGARD TO MANAGING OF BUDGETARY RECEIPTS IN WORK-
ING OUT AN EVENTUAL TITLE III PROGRAM.

D. YOU MAY BE ASSURED THAT INDONESIA RANKS HIGH IN ITS
ELIGIBILITY FOR PL 480 ASSISTANCE, GIVEN ITS SERIOUS
NEEDS, THE VICE PRESIDENT'S COMMITMENT AND THE U.S. STATE-
MENT AT THE RECENT IGGI MEETING. FYI. THE PL 480 TITLE I
WORLDWIDE BUDGET FOR FY 79 IS LIKELY TO BE VERY TIGHT.
DUE TO THE RISE IN COMMODITY PRICES OVER THE LAST YEAR,
SHOULD WE NOW TRY TO SUPPLY THAT VOLUME OF COMMODITIES
WHICH HAD BEEN TENTATIVELY ALLOCATED FOR FY 79 IN AID'S
JANUARY 1978 SUBMISSION TO CONGRESS WE WOULD REQUIRE
ANOTHER 100 MILLION DOLS. THEREFORE WE ARE NOT IN A
POSITION TO REAFFIRM EXPLICITLY THE 106 MILLION DOLS
FIGURE FOR INDONESIA, NOR TO TALK MORE UNTIL THERE HAS
BEEN AN OVERALL REVIEW AND A DECISION HAS BEEN MADE ON
THE POSSIBILITY OF A SUPPLEMENTAL BUDGET REQUEST. END
FYI.

E. DURING HIS FORTHCOMING CONSULTATIONS, AMBASSADOR
WILL, OF COURSE, BE DISCUSSING WITH APPROPRIATE USG
OFFICIALS PL 480 TITLE III PROSPECTS ALONG WITH OTHER
TOPICS. VANCE

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